



## State of Utah

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

## Utah State Tax Commission

PAM HENDRICKSON  
*Commission Chair*

R. BRUCE JOHNSON  
*Commissioner*

PALMER DEPAULIS  
*Commissioner*

MARC B. JOHNSON  
*Commissioner*

RODNEY G. MARRELLI  
*Executive Director*

Date

Name

Address

City, State ZIP

RE: Sales and Use Tax Self-Review

Dear Name:

The Auditing Division of the Utah State Tax Commission is currently conducting a self-review project on employee services companies. A self-review project consists of selected businesses or organizations reviewing their own books and records for a potential sales and use tax liability.

This self-review project is designed to:

- ✓ *Help you become familiar with sales and use tax laws as they relate to your industry.*
- ✓ *Assist you in future compliance to avoid penalty and interest.*
- ✓ *Ensure that your competitors are also remitting their fair share of taxes.*
- ✓ *Encourage you to become licensed for use tax purposes.*
- ✓ *Reduce business interruptions because an auditor does not physically come to your place of business.*
- ✓ *Determine those purchases made by you that are taxable.*
- ✓ *Aid in calculating the correct tax amount due.*

Sales and use tax references may be found in Title 59 Chapter 12 of the Utah Code, Administrative Rule R865-21U-6 and other applicable Administrative Rules.

The focus of this self-review is in the area of use taxes. Use tax is imposed by law on the purchase of items used or consumed in Utah that were not previously taxed. In most cases, these are purchases made from an out-of-state supplier not required to collect Utah tax.

*An audited taxpayer said, "When purchasing equipment and supplies we have always paid the full amount listed on the invoice and did not notice that purchases from vendors within Utah usually included sales tax while purchases from vendors outside of Utah did not. Our personnel were in the habit of paying the 'bottom line' amount listed on the invoice, and believed at the time that the purchase transaction was complete and did not realize that the state required a separate use tax to be paid that was not listed on the invoice."*

Equipment or supplies purchased tax free, usually from an out-of-state vendor, that are not resold are subject to Utah's sales and use tax laws (see attached **Examples**). You, as the purchaser, are responsible for the tax on items you use or consume in Utah. The tax on these items must be remitted to the Utah State Tax Commission.

Businesses and individuals having an anticipated use tax liability of \$400 or more annually must become licensed for sales and use taxes. However, if you only have an anticipated annual **use** tax liability of less than \$400, you may either become licensed for sales and use taxes **or** claim and remit use tax on your Utah individual income tax return, TC-40, or your Utah corporate franchise/income tax return, TC-20. (Please refer to the **Questionnaire** sheet under Section A, **Do You Need a Sales and Use Tax License?** for instructions on becoming licensed for sales and use tax).

Normally, the statute of limitations is three years from the return due date or the date the returns are filed, whichever is earlier. However, if no sales and use tax returns have been filed, the statute of limitations does not apply and the Commission may assess tax, interest and penalty for an unlimited period. **Any use tax self-reported and remitted as part of this project will be subject only to interest, and the review period will be limited to three years.** If you do not respond to this notice, we will contact you and schedule a field audit. All underpayments resulting from field audits will be subject to the normal statutory penalties and will include the maximum audit period allowed under Utah tax law.

The information enclosed in this package is designed to help you perform your review. Once the review has been completed, the tax and interest calculations can be made by using the enclosed **Sales and Use Tax Summary**. We have also included a **Withholding Tax Information Sheet** for your review. This information sheet contains basic information regarding Utah's withholding tax laws. Please complete and return the necessary forms included in the review package along with your payment of computed tax and

interest, if any. It is important that you return the completed questionnaire, withholding tax information sheet, and audit package by **November 18, 2005.**

If you need additional time, please contact one of the auditors listed below.

After reading the examples of commonly taxable purchases, and a careful review of your purchase invoices show that Utah sales and use tax was always properly charged by your suppliers or reported on your sales and use tax return, please do the following:

1. Fill out the **Questionnaire.**
2. Sign and date the **Sales and Use Tax Summary**, entering \$0.00 (zero) in the "Total Amount Due" box.
3. Review and sign and date the **Withholding Tax Information Sheet.**
4. Return the above three documents in the envelope provided.

For the text of the Utah Code and Administrative Rule referenced in this letter, please refer to our website at [www.tax.utah.gov/research](http://www.tax.utah.gov/research). If you have any questions or concerns, you may email us at [selfreview@utah.gov](mailto:selfreview@utah.gov) or you may contact one of the following:

Matthew Duke	(801) 297-4670
Ralph Hoggan	(801) 297-4759

Thank you for your prompt attention and cooperation regarding this matter.

Respectfully,

Michael Christensen  
Tax Audit Manager

Enclosures  
tlb